

Tilburg University

Hermeneutic Methodology and International Management Research

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Publication date:
2000

[Link to publication in Tilburg University Research Portal](#)

Citation for published version (APA):

Noorderhaven, N. G. (2000). *Hermeneutic Methodology and International Management Research*. (Foretagsekonomiska Inst. Paper; No. 2000/2). Uppsala University.

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occasional paper 2000/2

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**Hermeneutic Methodology and
International Management Research**



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FÖRETAGSEKONOMISKA INSTITUTIONEN

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2000**

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Hermeneutic Methodology and International Management Research

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September 2000

ABSTRACT

International management research seems to be victim of a identity crisis. It is not clear what makes *international* management different enough to regard it a separate research field. In this paper it is argued that this has to do with the tendency in international management research to adopt a methodology akin to the logical-empiricism of the natural sciences (the word 'methodology' is used here to refer to the ontological and epistemological assumptions on which research is based). If the challenges formed by the unique character of the field of international management are thought through radically, this leads to a turn away from the logical-empiricist model, and towards a methodology which does justice to the fundamental problems of bridging distance which are typical for international management. This distance can be of a geographical, social, political, economic, cultural or linguistic nature. The problem of bridging distances exists for practitioners of international management, as well as for researchers in this field. Hermeneutics, in which the problem of bridging the distance between an interpreting subject and the phenomena to be interpreted is given a central position, is discussed as a particularly fruitful methodology for international management research. As an example, a hermeneutic reading of a number of clinical studies of international joint ventures is presented.

INTRODUCTION

International management has over the past decades gradually matured into a distinct field of research. The research community has its own academy, conferences, and scholarly journals. At the same time, it can be said that the field is victim of a prolonged identity crisis. What exactly distinguishes the *international* management field from management *tout court*? If international management research is just an application of theories and research methods on issues that happen to include cross-border aspects, we may ask ourselves the question whether it makes sense to regard it a separate research field.

Focusing on international joint venture research, Parkhe (1993: 227) states that previous studies failed to coalesce "into a collectively coherent body of work with an

underlying theoretical structure”. According to **Parkhe**, and his criticism echoes in more recent writings, e.g., Yan and Zeng (1999), there is premature closure in the field, in the sense of adopting a “normal science” posture, and there is an overemphasis of large-sample data-driven research and a relative paucity of theory. **Parkhe** suggests that what is needed is more theory-building, which because of the early stage of the development of the field should be based in rich, qualitative research.

However, **Parkhe's** (1993) paper is characterized by a certain ambiguity, a reticence in radically thinking through the consequences of its criticism. **Parkhe's** recommendations for rich, qualitative research are made within the context of a strong adherence to a logical-empirical tradition borrowed from the natural sciences. As a result the ultimate message of **Parkhe's** (1993) paper is equivocal. The overt argumentation pleads for a shift to “inductive/theory-generating/idiographic research” (page 228), and away from “large sample multivariate statistical studies” (page 230), and the tendency of social scientists to emulate the methods of the natural sciences is bemoaned (page 244). But **Parkhe's** (1993) phraseology unwittingly seems to convey a different message. For the problem is stated to relate to the “current stage of evolution of IJV [international joint venture] research” (page 228), which is one of “relative youth and immaturity” (page 242). But researchers do not have to despair, for “today’s ‘advanced’ fields once went through a similar phase of messy research” (page 240) before “reaching maturation” (page 242), so over time we may be able to “transform international management scholarship from nascency into a more ‘advanced’ stage” (page 242). Sure, the word “advanced” is between quotation marks in **Parkhe's** text, but that does not do away with the clear suggestion that international management research is in its infancy and that the plea for qualitative, etc., research methods directly has to do with that. Thus the conventional hierarchy between qualitative and quantitative research, between case studies and surveys, and between subjective and objective data is implicitly reinforced.’

Yan and Zeng’s (1999) denouncement of existing international joint venture research is less fundamental than that of **Parkhe** (1993), as are their recommendations. But it shows the same ambivalence, e.g., in their suggestion to pay more attention to process and to take into account the specific cross-cultural and cross-organizational nature of international joint ventures.* Nobody could disagree with that. But are their suggested remedies sufficient?

*In footnote 7 on page 248 **Parkhe** (1993) states that the hierarchical view of case studies, surveys and experiments is incorrect. But this goes against the tenure of the main text of the paper.

² In this connection it may also be meaningful to note that the first author of Yan and Zeng (1999) in a previous publication more explicitly adheres to the division of labor (and hierarchy) between qualitative and quantitative research methods conventional in logical empiricism. The rich data

Yan and Zeng's (1999) proposals, and to a certain extent also those of Parkhe (1993), can be characterized largely as changes in research methods: theoretical definition and operationalization of variables, collection of data, generation and testing of hypotheses, etc. But I think that we need to go beyond research method, and fundamentally reconsider the methodology of international management research. Methodology here refers to the discussion of the ontological and epistemological assumptions on which the research is based (Llewellyn 1993). What *is* the specific nature of international management, and how can we attain valid *knowledge* about it? The methodological standpoint chosen of course has implications for the research methods used, but a methodological discussion goes beyond a mere discussion of method.

Parkhe (1993: 243) called upon management theorists to recognize “the challenges unique to international management”. Yan and Zeng (1999: 408) stressed that the “complexity and richness of IJVs [international joint ventures] as a unique form of organization rests on its cross-cultural and cross-organizational interactions”. The main point that this paper seeks to make is that if the challenges formed by the unique character of the field of international management are thought through radically, this leads to a turn away from the logical-empiricist model of the natural sciences, and towards an adoption of a philosophy of science (or methodology) which does justice to the nature of this uniqueness.

This unique character of international management can be indicated with the concept of “distance”. Distance plays a double role in international management as an object of inquiry. First there is the distance experienced by the actors in the field: the geographical, social, political, economic, cultural and linguistic distance between buyer and seller, subsidiary and parent company, division A and division B, manager X and manager Y. If this distance would not be of crucial importance, why regard international management as a separate field? How these various distances are bridged is the basic issue with which international management occupies itself, and which sets it apart as a field of study. But distance is also important for international management research in a second way. Researchers in the field of international management almost by definition study a social reality which is much more distant to them than if they were studying domestic organizations or management processes. For international management research to be successful this distance has to be bridged, too.

collected in qualitative studies “will help refine conceptualization, verify and enrich the propositions, operationalize the constructs by deriving appropriate measures, and generate thick descriptions and

The field of international management calls for a methodology which does justice to the fundamental problems of bridging distance, for practitioners and researchers alike. In this paper the hermeneutic approach to social reality and social research is put forth as such a methodology. Hermeneutics is a methodology in which the distance between an interpreting subject and the phenomena to be interpreted is given a central position. Based on this notion of distance, the conditions under which interpretation is possible are explored. Interpretation is an act of understanding in which phenomena are taken to be signs referring to a meaning. For an interpretation to be successful, it is not enough to observe the signs; their meaning should also be established.

In the following section hermeneutical methodology and its applicability to (international) management is discussed. In the third section the relevance of issues of distance and meaning in international management is illustrated with examples from case studies of international joint ventures. Conclusions follow.

MANAGEMENT, MEANING, AND HERMENEUTICS

Organizational Phenomena as Signs

Organizations are not natural phenomena. They are made, and constantly remade, by the people within and around them. Consequently, these people also regard them in a different way than natural phenomena, such as stones or trees. Organizations are seen as existing for certain reasons, as referring to the purposes of those who have created them, put briefly: they are regarded to have a meaning. The concept of *meaning* stands for that to which something else refers. This 'something else' is interpreted as a sign. A sign can be defined as "something which stands to somebody for something" (Peirce). The status of sign is not given, it exists in the eyes of the beholder. What is a sign to me, need not be a sign to you. But, man being a sense-making creature (Geertz 1973), we have a strong tendency to interpret phenomena as signs, in particular in the social world, where social objects can be seen as "intrinsically meaningful" (Sayer 1992).

Hence, organizational phenomena are bound to be interpreted by the people around them as signs. Why is that important? Because the meaning one attributes to an

explanations for subsequent quantitative theory testing" (Yan 1998: 79 1). In other words, qualitative

organizational phenomenon has a bearing on one's behavior. Research on "framing" and "cognitive schemata" provides evidence that the way people see the world has a strong impact not only on what they perceive to be rational behavior, but also on the actual behavioral choices that they make (Barr 1998). To understand the meaning of an organizational phenomenon means having identified the motives, intentions, aims, or expectations which have produced that phenomenon (Albert 1988; Weber 1968). This, in turn will strongly influence one's reaction to that organizational phenomenon. An example will help making this more clear.

The French researcher Henry (1991) in one of his papers describes the RCgies Nationales des Eaux de Togo, the national drinking water company of the West African state of Togo. In this company a manual is used which stipulates for all employees, from the Directeur Général down to the junior clerk, what they are expected to do in almost all possible circumstances. The rules are more detailed further down the hierarchy, of course, but at all levels the circumstantiality of the rules and procedures and the inclusiveness of the manual are remarkable. Technical tasks as well as management duties are described: work processes, but also times of prayer, leave of absence in the case of the death of a relative and other family circumstances. There is even a procedure for organizing the personnel party at the end of the year, stipulating who is responsible (the Chef Section Œuvres Sociales) and what he should do (choose date and time and let these be ratified by the Directeur Général; see to it that a party tent is erected; make sure tables and chairs are rented; etc.) (Henry 1991: 470).

What is the impact of this manual, and how do the employees of the RCgies Nationales react to it? Is the Régies Nationales to be regarded an extremely Tayloristic organization, in which all discretion is taken away from lower level employees and tasks are impoverished? Does it lead to a complete loss of motivation, and alienation? Apparently not, for the RCgies Nationales des Eaux de Togo is mentioned as a "best practice" in Africa in a study published by the World Bank (Dia 1996). According to Henry (1991), the manual increases rather than restricts the leeway of lower level employees. In ambiguous situations, lower level employees will always ask for the opinion of their supervisor. African traditions of respect for authority and seniority play a role here, but also a well-founded fear of being scapegoated if things turn out wrong. But when subordinates have exact instructions what to do, they can work much more independently, and much more decentralization is possible. The rules also protect employees against pressure for preferential treatment by relatives and

work is relegated basically to the early phases of research.

acquaintances. But does the manual demotivate the workers? Henry (199 1: 455) quotes a manager of the Régies Nationales:³

They [the employees] are pleased to read the manual. It shows every employee that he is taken seriously. If he sees himself in this book, he feels himself to be more important: "I am the employee mentioned here, I am the supervisor described in this book ". That increases the self-importance of the people. I think it has increased their motivation.

The example of the Régies Nationales des Eaux de Togo shows that a particular organizational phenomenon, formalization of organizational roles, may be interpreted in radically different ways, and as a result also have radically divergent behavioral consequences. If extreme formalization of one's organizational role is interpreted as a sign of distrust of either one's intentions or one's skills (or both), a likely response will be alienation and loss of motivation. But if the same phenomenon is construed to be a protection to the whims of supervisors and others, and to provide a basis for autonomous action within the confines of the organizational role, the behavioral response may be an increase of involvement, initiative and motivation. More in general important elements of organizations (e.g., authority structures and rules and procedures) are socially constructed and need to be interpreted, and hence can easily be misinterpreted when interpretation takes place across cultural boundaries (as documented in the cross-cultural management literature, see, e.g., Hofstede 1991).

The example of the Régies Nationales des Eaux de Togo demonstrates that organizational phenomena, as social phenomena in general, are fundamentally equivocal. They can be interpreted in many different ways, since there is no unambiguous link between the sign and its meaning. This creates an uncertainty that people in and around organizations have to cope with, and it creates an even larger uncertainty for researchers of organizations, who most of the time are outsiders to the organizational reality they study.

In their constant struggle to make sense of their worlds, people look at each other. The formation of an interpretation of reality is a social process, in which one's interpretation of the world and the actions based on that influence the other's interpretations and actions, and vice versa (Weick 1979). The fundamental equivocality of signs opens up a

³ Translated from French by the author.

wide scope of possible interpretations. There is no transcendent reality which is ordered in a particular way: actors have to make their own order. The choice for a particular interpretation which brings immanent order to equivocal sensory inputs is a creative act, called 'enactment' by Weick (1979; 1995). By making an interpretation and basing one's behavior on it, one creates new signs for others which they will take into account in their own sense-making processes. In this way meaning is constantly created and re-created in a process of circular causation (Feldman and March 1981; Thomas et al. 1993; Weick 1979). What a social phenomenon *is* depends on what it *means* to the members of a social group, and this social nature of the interpretation and enactment process puts limits on the creation of meaning. Interpretations and the behaviors based on them are "reciprocally confirming" (Llewellyn 1993) other interpretations and behaviors; the one who drifts too far apart effectively places him- or herself outside of the community of meaning.

Hermeneutics as a Methodology

The fundamentally social nature of the process of sense-making underscores the additional difficulties encountered by an outsider trying to make sense out of a social reality which is exterior to him or her. Social reality is constructed within communities of people which can be indicated as "cognitive communities" (Berger and Luckmann 1966), or "cultural groups", i.e., groups of people who share a national, ethnic, organizational, occupational, or other type of culture (Gimdt 2000). The problems of interpreting a social phenomenon within a cultural group are never trivial, given the complexity and equivocality of the social world. But these difficulties are vastly enhanced when one tries to make sense of social phenomena across boundaries of cultural groups. In international management this is always the case. This is true for the practitioners, who interact with counterparts coming from other cultures. The example of the very different views of interfirm alliances of Japanese and American managers mentioned by Yan and Zeng (1999) illustrates this. The Japanese managers interpreted the alliances as primarily interpersonal relationships, the Americans as structural designs, in which the identities of particular managers play a minor role (Turner 1987). In international joint ventures the problem of understanding is further compounded by the fact that by definition not only different national cultures, but also different organizational cultures (Olk 1997; Park and Ungson 1997), or more in general "organizational distance" (Simonin 1999) is at play.

But, as stated in the introduction, the difficulty of interpreting across a cultural interface also applies to international management researchers, who try to understand a distant social reality. My guess is that few readers from Western countries unfamiliar with the case of the Régies Nationales des Eaux de Togo expected much good to result from the manual. At the same time understanding the meaning to incumbents of organizational phenomena remains of utmost importance in international management research, and particularly when it turns more to an analysis of processes, as recommended by Yan and Zeng (1999) for the field of international joint ventures. One can imagine that within an international joint venture, especially in the early formative years, divergent meanings and organizational practices are confronted in an intensified struggle before the partners find each other (or not) in a shared system of meaning, learning becomes effective, and the concomitant organizational instruments are constructed. If international joint venture research is to generate insights into the processes influencing the success and failure of international joint ventures, this process of the confrontation of divergent meanings inside the ventures has to be taken into account.

Hermeneutics as a methodology of interpretation has been posited as particularly appropriate for the analysis of “transitional periods” in organizational fields (Llewellyn 1993). The available evidence suggests that international joint ventures, especially in the first few years of their existence, are in a constant period of transition (Doz 1996). Why this process is successful in some cases, and unsuccessful in others, can only be understood if we carefully “read” the meanings produced, communicated and negotiated within international joint ventures. Hermeneutics, a methodology based on the assumption that social reality has to be understood by reading it as a system of signs, therefore is of particular relevance here. We will therefore now turn to a brief discussion of hermeneutics.

Hermeneutics as a *method* for interpreting texts, in particular Biblical texts, has a history of at least three centuries, and a pre-history in which the word “hermeneutics” was not yet used going back to the Hellenic period (Grondin 1994). But hermeneutics not as a method but as a *methodology* (which is customary referred to as “philosophical hermeneutics”) is of much more recent origin, and is associated with the work of 20th century philosophers Martin Heidegger, Hans-Georg Gadamer and Paul Ricoeur. Originally, hermeneutics intended to offer the sciences of the mind an alternative for the logical empiricism of the natural sciences. In the natural sciences hypotheses derived in accordance with the rules of logical inference are tested against relevant data, with the goal to identify general regularities or “covering laws”. This model was seen as unfit for the sciences of the mind, like the arts and history. In historical studies, for instance, the goal is not to uncover

general laws (which is seen as impossible, given the uniqueness of historical events and circumstances), but rather to interpret history in such a way that it can be understood.

Hermeneutics (from the Greek *hermeneuein*, to explain, put in words, or translate) refers to the interpretation of phenomena as signs. Signs can be understood if we can reconstruct, make our own, appropriate, the meaning that the sign has or had to its author (e.g., an artist, or a historical figure). This in essence means that we try to integrate the sign that we want to understand within our own semiotic horizon, the general, more or less coherent system of signs that forms our worldview (Grondin 1994). Thus interpretation in hermeneutics consists in entering into a “dialogue” between the worldview of self and that of the other. This process always has to start somewhere, a prior position which is by definition (otherwise the understanding would not have to be sought because it would already be there) based on insufficient knowledge of the phenomenon studied. Gadamer uses the word ‘prejudice’, but not in the conventional pejorative sense. A prejudice for Gadamer is nothing more or less than a pre-judgement made at the beginning of the dialogue. As our prejudices are confronted in more and more depth with the phenomenon we try to understand, we can see which of them are misguided and have to be altered (How 1995: 47-48). Interpreting a product of the human mind implies a fusion of horizons: the horizon of the interpreter and the horizon(s) of the individual(s) whose product we try to understand. This fusion is possible only if, from the start, there is some overlap, some common ground. The possibility that different horizons can be fused lies in the fact that they are already implicitly joined “in the depths of tradition” (Gadamer, quoted in Shusterman 1989: 2 17).

The effect that we inevitably start from prejudice means that we also inevitably are subjective. The subjectivism of philosophical hermeneutics is a different subjectivism than that of positivism, or logical empiricism. Logical positivism acknowledges the a-priori nature of knowledge (as taught by Kant), and thus subjectivism. But this is a strictly rational, Cartesian subjectivism. In hermeneutics, the interpreter is subjective because he or she is part of a tradition. The tradition of which the interpreter is a part determines the prejudices from which the interpretation will start:

the knowledge we have of the world and ourselves, the issues we find significant, the things we find acceptable or unacceptable, rational or irrational, those that seem desirable and those that raise our ire, are all generated from within the changing historical field of our tradition (How 1995: 37).

We cannot simply step out of the tradition of which we are a part: “our traditions lie deeper than we can say” (Caputo 1989). In that sense tradition defines what we can and what we cannot see, our horizon. But our place in the tradition and the prejudices that stem from it are also a condition to understanding: without it no understanding would be possible, because there would be no semiotic system in which to integrate the phenomenon to be understood. To stand outside of one’s historicity would not mean to have an *objective* view, it would mean having no view at all (Francis 1994). A completely objective individual would be completely autistic, so to say.

Hermeneutics and Management Research

The relevance of a methodology of the interpretation of texts (Biblical texts, literary texts, historical texts, juridical texts) for research in the social sciences lies in the generalization of the concept of text from letters on a sheet of paper to any coherent whole of signs. If texts are seen in this more general way, understanding of social action is a form of reading (Ricoeur 1991; Thompson 1993). Just like the letters on the paper are taken to refer to something else, e.g., ideas formed by the author, so actions or social phenomena can be taken for signs of the intentions or beliefs of their “authors”. This makes hermeneutic methodology applicable also to the fields of management and organization.

In fact, a growing number of hermeneutically inspired papers have been published in recent years, e.g., in the fields of organizational culture (Mercier 1994), information systems (Boland et al. 1994; Butler 1998; Klein and Myers 1999; Myers 1995), and accounting (Arrington and Francis 1993; Francis 1994; Llewellyn 1993).⁴ In international management, there is one specific approach which can be seen as hermeneutic (Noorderhaven 2000). This is the so-called *societal effect* approach, which tries to explain the particular characteristics of management and organization in different countries on the basis of the reciprocal, interactive constitution of actors and institutions (Maurice et al. 1980; Maurice and Sorge 2000; Sorge 1991; Sorge and Warner 1986).

Notwithstanding the papers referred to above, as well as many others not mentioned here, it can be concluded that hermeneutics at this moment still has a peripheral position in the field of management research as a whole as well as in the field of international

⁴ That relatively many applications of hermeneutics are found in the fields of information systems and accounting may have to do with the fact that these disciplines are in relatively close contact with

management. Judging on what is published in the major research journals, it seems fair to say that the majority of international management researchers implicitly or explicitly adheres to a philosophy of science which is closer to logical empiricism than to hermeneutics.

In logical empiricism, rooted in logical positivism as developed in the 1920s and 1930s by the Vienna Circle, knowledge is created by application of the empirical cycle. Theories deducing refutable hypotheses from basic assumptions through series of analytic propositions are tested against empirical data. If the hypotheses are refuted, new theories are built, and possibly new basic assumptions made. But the confrontation with “data” is not unproblematic. How do we know that something is true or not, and thus whether a hypothesis is corroborated or falsified? Observations entirely free from theory do not exist. Perception brackets certain sensory inputs as signals and others not, based on some prior idea of what is and what is not relevant. And empirical research, at least in the social sciences, is very much a social process in which “objective facts” are socially constructed (Kuhn 1962).

Philosophical hermeneutics is based in Heidegger’s notion of the primordial distance between the self and the world into which this self is “thrown”. Immediately evident truth like in the Cartesian “cogito ergo sum” and the modern philosophy based on Descartes is seen as impossible, the potential of any understanding of the world rests on interpretation, and the possibility of interpretation in turn rests on being part of a tradition (Weick 1995: 43). In this light the distinction between two types of knowing, understanding resulting from interpretation in the human and/or social sciences and explanation in the natural sciences is no longer seen to be valid. There is only one way of knowing, and that is through interpretation. “What philosophic hermeneutics does is to generalize *all* understanding as a subjective hermeneutical enterprise, of responding to the distance that constitutes our very ‘being’ in the world” (Francis 1994: 238).

From this position, the distinction between ‘objective’ and ‘subjective’ methods in science becomes subsumed under the more general subjective nature of all human knowledge. The question is what implications this methodological position should have for research in international management. One of the reasons for the dominant position of logical empiricism in management research may be the rather drastic conclusions drawn explicitly or implicitly by many proponents of hermeneutic and/or interpretative methods (the terms are used more or less interchangeably). Too often an either/or proposition is made. Either one embraces hermeneutic methodology wholeheartedly, including the view on the nature of

specific communities of practitioners, which may lead to a stronger perceived need to tap into the

social science and the corresponding research methods (mainly qualitative case studies), or one sticks to large-scale empirical research and remains wedded to the positivist stance of logical empiricism. Here the position is defended that “research can proceed from a less encompassing initial position and still be methodologically informed” (Llewellyn 1993). The hermeneutic point of view can be taken seriously while at the same time holding on to the rigor and technically sophisticated research methods of logical empiricism.’ Before expounding on this view, I will first in the next section illustrate the applicability of a hermeneutically informed approach to the field of international management.

HERMENEUTICS AND INTERNATIONAL JOINT VENTURE RESEARCH

Initial Conditions and Expectations

In this section I will illustrate the application of hermeneutical methodology to international joint venture research drawing on a number of existing clinical studies. In particular, I will use Doz’s (1996) description of an alliance between Ciba Geigy and Alza, Arino and De la Torre’s (1998) description of the collaboration between a North American and a French company, indicated as “NAMCO” and “Hexagon”, respectively, and Gould et al.’s (1999) description of an American three-party joint venture indicated as “Design Group”. Some of the cases are less than ideal in that that of Doz is no joint venture, and the case described by Gould et al. is not international. But this is compensated for by the fact that all of these researchers show a remarkable sensitivity to the importance of the sensemaking processes within the alliances/joint ventures. At some places, I will also refer to other qualitative studies to illustrate particular issues.

Many authors have noted the importance of the initial structural conditions and partner expectations for unfolding processes within the international joint venture (e.g., Hagedoorn and Schakenraad 1994; Reuer and Miller 1997). This is also clearly reflected in the case studies. But the case studies also illustrate how expectations mould structural

systems of meaning maintained in these communities.

⁵Hermeneutics has not remained without criticism, of course, most recent in particular coming from deconstructivists (see, e.g., Noorderhaven 2000). But given the presently dominating methodological views in the field the dangers of applying hermeneutics seem to be small in comparison with the dangers of continuing in the logical-empirical vein of received mainstream international management research.

conditions, in the sense of contractual and other organizational arrangements, and the subjective nature of these expectations themselves. Hence, a mechanistic approach linking expected international joint venture success to a set of objectively given environmental factors misses much of the action. Doz (1996) notes that the partners enter the collaboration with both a set of shared, explicit expectations, and with privately harbored expectations. This complex amalgamate of expectations, partly explicit and shared, partly implicit and/or private, are the basis for the formal agreement underlying the venture.

There are several reasons why these expectations in many cases soon have to be revised. Firstly, as remarked by Parkhe (1998a), anticipating business gains is a highly subjective process. Once the international joint venture starts to operate initial prospects may turn out to have been too optimistic or pessimistic. Secondly, initially the partners have only a tentative understanding of each others' private motives (Doz 1996). They start from prejudice, so to say, in interpreting the behavior of their counterpart. As the international joint venture starts its operations, the partners will look for cues to adapt this initial understanding (see below). Thirdly, and related to this point, the initial expectations, explicit and implicit, will to a certain extent determine the contractual and organizational arrangements at the outset of the international joint venture. These arrangements will subsequently influence the behavior within and around the venture, which may create a self-fulfilling prophecy. Doz (1996) observes how the necessity to adapt to the other partner triggers "defense mechanisms" which actually bolster existing tendencies towards inertia in organizations. Gould *et al.* (1999: 698) notice that the rational basis for a venture can "quickly run headlong into powerful irrational dynamics which may significantly interfere with the achievement of their full business potential".

Gould *et al.* (1999) provide a fascinating example of the self-defense mechanisms and self-fulfilling prophecies mentioned above. They note that unconscious anxieties are often reflected in the design of a joint venture, in the sense that safeguards are built to defend against them. In the joint venture they studied, they found "serious tensions and unresolved conflicts at the most senior levels" in each of the three parent organizations (Gould *et al.* 1999: 711). These tensions and conflicts had to do with the uncomfortable combination of being involved in a "multibillion dollar investment in a long-term future", with the fear of being "ripped-off" by the other partners, or more in general of not being able to make the project into a success. These anxieties led to an initial and continuing

unwillingness to fully commit to the project. As a result the project staff came to work under circumstances which had to lead to failure, a failure for which they subsequently could be scapegoated by their parent firm's senior management. According to Gould *et al.* there was "downward displacement" of top management's unresolved conflicts in so far as project staff would be blamed for failure, and "outward displacement" in the sense that difficulties would be projected on the other partners. Interestingly, (Gould *et al.* 1999: 7 11) note that "[a]t no point did they [senior management] seem to recognize that there was a link between their own unresolved difficulties, and those that their respective staff were experiencing".

Cycles of Joint Sensemaking

Once the international joint venture is under way, those involved (venture management as well as managers within the parent firms) will closely look for cues to "validate, challenge or recast the initial expectations" (Doz 1996: 67). As a result, Doz notes, small early events may have very significant consequences for the further evolution of the joint venture. A parent firm tries to interpret these small initial events, i.e., to read them as signs indicating the true motives, intentions, and abilities of their partner. Subsequent actions will be based on these interpretations, which then are interpreted by the other firm, which will base its actions on this interpretation, etc., in an ongoing process of mutual sensemaking. This process can lead to the gradual build-up and reinforcement of trust and cooperation within the international joint venture (Parkhe 1998b). But it can also lead to a vicious cycle of suspicion and distrust. Doz (1996) describes how in one of the alliances he studied growing suspicions about the other's ultimate motives and doubts concerning his integrity and commitment gradually led to a deterioration of the relationship. After some time, there were "growing suspicions and tensions as each partner was searching for clues in the behavior of the other. What they saw was tended to be read increasingly in the light of doubts and suspicions about the other party's true intents" (Doz 1996: 68). An initial tendency to believe in good faith may easily turn into its opposite within a relatively short time span, or, as Hamel (1991: 84) puts it: there may be a shift from "naivete" to "paranoia".

Arino and De la Torre also provide a good example of this process. In their case, series of unanticipated events and the reactions of the parent firms as well as of the management of the international joint venture in some cases lead to a growth of mutual understanding, commitment and trust, in other cases to differences in interpretation and an erosion of trust. There were three types of unanticipated events: unforeseen external problems

(e.g., the inadequacy of a product formula for a particular national market), changes in the strategies of the parent firms (e.g., acquisition of a company which can serve as a fall-back option if the international joint venture does not work out), and changes in the strategy of the international joint venture itself (a shift in emphasis on product/market combinations, making it less complementary to and more competitive with one of the parents).

These examples may help to bring home the perhaps obvious point that the events and changes in circumstances met by the managers of joint ventures and their parent companies often are very real, it is not “just” a matter of clashing interpretations. But at least as important is that at almost every junction the managers involved can indeed choose between divergent interpretations. In case of unfavorable market performance of a product line, that can be explained on the basis of an ineffective promotional campaign, or seen as a sign of a lack of commitment of the other party’s distributors. Reluctance of one of the parties to give access to its distribution system for new product lines of the venture without renegotiation of the contract may be interpreted as a retreat from the original agreement, but it may also be seen as a normal reaction to an unforeseen change in the strategy of the joint venture (Arino and De la Torre 1998: 3 19; 32 1). The factors may be ‘objective’, but how they are interpreted by managers makes a lot of difference.

Processes of mutual sensemaking based on cues may be expected to play an even more pronounced role within the international joint venture than at the level of the parent organizations. As pointed out by Gould et al. (1999: 701), employees of joint ventures are confronted with new intergroup boundaries, a situation which “gives rise, quite quickly, both psychically and politically, to the anxiety-laden possibilities of losing one’s identity and/or power”. Interpretation of meaning is no detached intellectual activity under these circumstances, as it is closely connected to the self-construction of actors (Ring and Van de Ven 1989; Weick 1995).

Compared to the sensemaking activities at the level of the parent organizations, those within the international joint venture itself may be assumed to be characterized by shorter cycle times, as incumbents meet each other more regularly, if not on a daily basis. Presumably this will expedite the process of constructing shared understandings (or, in the negative case, the complete breakdown of communication in progressive cycles of mutual recrimination).⁶ However, this displaces rather than solves the problem, because now bridging

⁶ The sense-making/interpretive perspective by no means implies that actors in international joint ventures always or even predominantly are of good will, and have good intentions. But also if they are

the gulf between the international joint venture and the parent companies becomes the main task. Secondly, given the more frequent and more intense contacts within the venture, the process of mutual sensemaking will presumably not only be accelerated, the chance that it will actually lead to shared meanings is also likely to be bigger. A strong personal involvement of key managers who are willing to take the risk to step out of their customary organizational role can make a big difference here. Doz (1996: 67-68) relates how in one particular cooperative project between Alza and Ciba Geigy shared understanding did come about, exactly because of strong personal commitment and the ensuing development of personal relationships between Alza and Ciba Geigy managers.

The cases also provide many examples of how organizational distance impedes the production of a shared meaning. In Doz's (1996) description of the alliance between Alza and Ciba Geigy differences in organizational cultures and routines stand out as one of the main reasons for the alliance to fail. The two partner firms "projected onto the other, through the interface in the alliance, a set of organizational action routines borrowed from its own organizational context, that became baffling, disconcerting and ultimately aggravating to members of the other firm" (Doz 1996: 67). Alza, dissatisfied with the slow processes within Ciba Geigy ("what they saw as sluggishness") tried to bypass the bureaucracy and dealt directly with managers and scientists in Basel. However, this "did not endear AZ [Alza] to people most able to get things done within CG [Ciba Geigy]". The latter, of course, were the same middle managers bypassed by Alza.

Not only differences in organizational cultures, also radically different technology bases makes joint sensemaking difficult. In the case of the alliance between Alza and Ciba Geigy Doz (1996: 68) notices that the respective technology bases were so different that "neither party understood enough of the other's skills to be able to commingle skills effectively". The combination of this lack of overlap between skill bases and discrepancies in organizational routines made Ciba Geigy's technical personnel question the true potential of Alza's technology (Doz 1996: 66). The interesting case is that in Doz's rendering of the case it is not the objective characteristics of the technology *persé* which lead to this judgment, but rather the inability to communicate effectively. This discussion of technological learning (or the absence thereof) seems to bring us closer to the conventional predisposition of the alliance literature towards a learning perspective. However, the learning metaphor summons up a

trying to outlearn their partners (Hamel 199 I), this is based on their reading of the situation and of the intentions of their partners.

picture of a very deliberate, conscious cognitive process. The interpretation and sensemaking processes which are given a central position in this paper, however, are both of a more fundamental and less deliberate nature. Thus, whereas Hamel (1991) treats “learning” as a variable dependent on the intent of the partners, their transparency, and their receptivity, sensemaking and interpretation are primary activities, and may even be seen as constituting human existence. Hence, in a hermeneutical view alliance incumbents are always engaged in interpretation processes, even if these will not always lead to the technological learning processes Hamel alludes to.

As stated earlier, what makes international joint ventures unique is the double problem of distance, organizational distance compounded by distance stemming from differences in national cultures. The case descriptions used here are remarkably silent on this second dimension. It may be tempting to think of the Alza-Ciba Geigy alliance in terms of the typical dynamic and entrepreneurial American firm versus the bureaucratic, formal Swiss company. But Doz (1996) does not make this point, so presumably it did not loom large in his respondents’ description of the problems. Arino and De la Torre’s (1998: 322) mention that it “is reasonable to speculate” that national cultural distance played a role in the case described by them, but this is regarded to fall outside the scope of their study. As Gould *et al.*’s (1999) case involved only American partners, the issue of national culture was irrelevant to them. However, in other papers on international joint ventures the problems emanating from national cultural differences are emphasized (see, e.g., Parkhe 1991; Pennings *et al.* 1994; Walsh *et al.* 1999). It is interesting to speculate on the reason for national cultural differences not showing up more clearly in the case descriptions of Doz (1996) and Arino and De la Torre (1998). Perhaps the differences between the USA on the one hand and France or Switzerland on the other are not so large. Or perhaps in the detailed case descriptions the impact of national cultural differences is hidden behind the myriad of differences in practices, which may be partly caused by them. Nevertheless, the assumption that these cultural differences are of crucial importance, for instance in trust-building processes (Parkhe 1998a) and in learning processes (Hamel 1991) within international joint ventures, remains very plausible.

Endogenous Meaning and Objective Facts

In the hermeneutic view, the process of interpretation is not confined to the international joint venture and its parents. The researcher studying international joint ventures is involved in a sensemaking process which is very much comparable to that of the subjects of his or her

study. As none of the case studies described was performed from a deliberate hermeneutic perspective, it is not surprising that the researchers hardly reflect upon this “double hermeneutic” (Giddens 1984: 284). Glaser and Strauss’s (1967) concept of “grounded theory development” is often referred to (e.g., Doz 1996; Hamel 1991; Walsh et al. 1999). In this approach an explanatory model is built and refined based on prior theoretical insights and several cycles of qualitative data collection. As a research method, this approach fits very well with a hermeneutic methodology. But what I would like to emphasize here, is that the adoption of a hermeneutic perspective does not in itself dictate the research method to be used. In the concluding section I will expound on the division of labor between qualitative and quantitative research methods. Here I would like to make a point which can directly be linked to the cases discussed, and that is that a hermeneutic approach does not mean that the researcher only tries to read the meaning ascribed to certain phenomena by the subjects of his or her study, and stops there.

In all the studies discussed the researchers collect data on ‘objective’ external and internal events as well as on the meanings ascribed to these events by incumbents (which can be indicated as “endogenous meaning”). Doz (1996: 80) explicitly reflects on the need to do so in his statement that “[f]ocusing only on individuals would have led one to concentrate on interpersonal relationships and ignore, or not analyze in detail, the organizational and strategic contexts within which alliances unfolded; while focusing on strategic and organizational contexts would have led one to reify the organization”. In other words, Doz pleads for paying attention to endogenous meaning *and* the context in which it is produced. Gould *et al.* (1999: 710-711) also go beyond endogenous meaning when they note that “the essential dynamic features of the relationships within the *Design Group*, as we came to understand them, had their origins in the serious tensions and unresolved conflicts at the most senior levels in each of the three organizations”, a link which senior management itself “at no point [seemed] to recognize”.

External and internal events constitute the set of structural conditions within which actors operate (and which in turn is also influenced by their actions, of course). How they operate, and which actions they perform, within the bandwidth of feasible options, depends very much on their subjective reading of these structures and events. The researcher looks at both the ‘objective’ structures and events and the ‘subjective’ endogenous meanings produced within that context, and on the basis of these inputs tries to come to an understanding of the social phenomena studied. Thus the researcher does not have to take for granted the meanings produced by incumbents: “the interpretation [by the researcher] of

action can have a power of disclosure which transcends the limited horizons of the existential situation of the agent” (Rabinow and Sullivan, quoted in Llewellyn 1993: 238). Does this mean that endogenous meanings are not that relevant, after all? That would be the wrong conclusion. Endogenous meaning can in principle be treated like a black-box (as in positivist traditions), but this is probably not a good idea in international joint venture research. Of course, *all* managerial actions are based on sensemaking and interpretation. But as stated before in the international joint venture the importance of this process is magnified because it takes place over considerable distances existing *within* the organization. Hamel (1991: 84) states that the main problem with theories of alliances (and, I would say, a *fortiori* theories of international joint ventures) “is not that [these theories] are under-tested [...] but that they are under-developed (i.e. they are so partial in coverage that they illuminate only a fragment of the path between choice, action and outcome)”. In order to throw more light on this path mentioned by Hamel we have to study endogenous meaning as a vital link in the chain, and eschew more mechanistic approaches which treat actors as black boxes, “disengaged from the web of language and meaning that engages them with the world” (Henderson 1992: 1298).

IMPLICATIONS FOR INTERNATIONAL MANAGEMENT RESEARCH

What are the implications for international management research of adopting a hermeneutic methodology as propounded here? Two principal implications and one ensuing practical implication can be mentioned. First of all, if the methodological view of hermeneutics is taken seriously all knowledge, including scientific knowledge, should be accepted as basically *subjective*. Subsumed under this basic assumption of the subjectivity of knowledge there may be the notion that there are research methods which are fit for acquiring knowledge of more ‘relatively objective’ factors, and other methods which lend themselves for the exploration of ‘relative subjective’ factors. The first category pertains mainly to what was indicated above as ‘external events’, which form the structure within which sensemaking subjects operate. The second category pertains mainly to the sensemaking of actors within the aforementioned structures, which tells us why they behave the way they do.

Secondly, in contrast to the ultimate goal of complete explanation (when all the covering laws have been identified) in logical empiricism, no end-point of the research process is assumed. The reason is that the social phenomena studied consist of open systems (Sayer 1992) in constant processes of creation and re-creation, and thus change. The

interpretation of action “is not the specialized province of the researcher but is a universal, integral and necessary condition for the continuity of social life” (Llewellyn 1993: 237). Consequently, actors may also use the meanings produced by researchers in their interpretations, leading to feedback effects from the research into the social reality researched (particularly in participatory case-research). While this problem always exists in social research, a hermeneutic methodology sees it as a special case of the constant change of the object studied.

The more practical implication of what can be indicated as the principles of subjectivity and open-endedness, is the need to radically rethink the rigorous division of labor (and the implied hierarchy) between qualitative and quantitative methods (and case-studies/surveys, and subjective/objective methods) implied by logical empiricism. If the object of study is fundamentally subjective and open-ended, qualitative case studies cannot remain relegated to the early stages of theory development. Very often, case studies will be needed in order to comprehend the findings of surveys. Qualitative studies have to be pulled into the context of justification, quantitative studies out of the straightjacket of hypothesis-testing and into the context of discovery. As it is, the hypothesis-testing nature of many quantitative studies is little more than a thin disguise. Why not take this work for what it often is (and in which it can be extremely useful, too), i.e., a fishing expedition?

New complementarities between quantitative and qualitative work have to be found. If the hermeneutic view is adopted qualitative studies do not only play a role at early phases of the exploration of a field, but need to be interspersed in the research process at all phases, as social reality is constantly re-enacted and consequently changes all the time. The idea of time-enduring, stable structures which would allow for the conventional ideal of research cumulating through early qualitative work to generate hypotheses followed by rigorous empirical work to test these hypotheses gives way to a picture in which qualitative case studies may be just as necessary, at all times, to make sense of the outcomes of large-scale empirical work, which may very well lead to ever-conflicting outcomes.⁷

The overall conclusion is that it does make a difference if international joint venture research is informed by a hermeneutic methodology, even if it does not imply a

⁷ McGrath (1964) also describes an evolution of the methods used to study a particular research topic in which case studies play a role at various stages. The difference with is proposed here however is that McGrath clearly adheres to a model of social science striving towards a full understanding of its subject, something which seems to be difficult to reconcile with the notion of constant change. The case survey method proposed by Larsson et al. (1998) as a way to bridge the idiographic-nomothetic

wholesale change in research methods. What would change is researchers' awareness that what they try to understand and explain is a social system in which people who are partly different from, partly like themselves, trying to make sense of what they do and what is done to them. Hopefully this research would also help practitioners in their tough task of building alliances and joint ventures that work, given that robust relationships "seemingly do not come easily or naturally" (Gould et *al.* 1999: 720).

gap comes closer to what is proposed here, provided that the cases used are sensitive to the interpretive processes of incumbents. Otherwise one would get the worst rather than the best of both worlds.

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